

Performance

March 2018

Economic Update

Inflation is rising, 2.2% through February, remaining near the 2 percent level the Federal Open Market Committee targets for price stability and maximum employment. The Fed will most likely increase rates this month as predicted. Credit unions overall will obtain a net interest margin greater than 3 percent for the first time since 2011. The unemployment rate remains stellar at 4.1% with the participation rate up to 63.0%.

Industry Trends - 2017

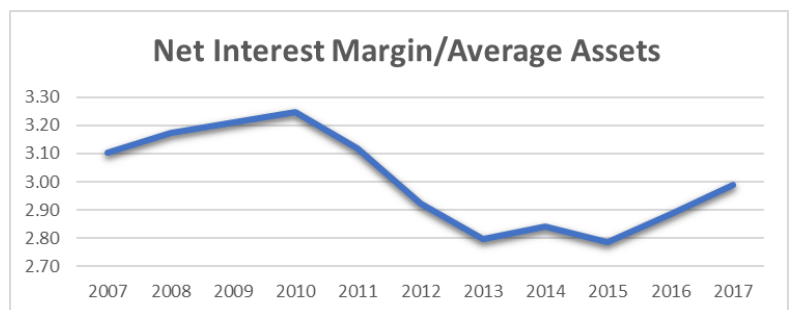
NCUA released the year-end data summary obtained from call reports submitted by federally insured credit unions (FICU's). It's no surprise that the number of credit unions continues to shrink, down 3.7% in 2017, ending the year at 5,573. Interestingly, 46% of FICU's have a low-income designation. This statistic has more than doubled from 2011, when there were 7,240 credit unions and only 1,120 were designated as low-income (15%). This classification entitles credit unions to legislated benefits designed to help serve members recognized to have challenges accessing mainstream financial products and services, a core philosophy in which credit unions were founded upon. For further information, refer to NCUA Rules and Regulations 701.34 Fact Sheet: <https://www.ncua.gov/legal/documents/lowincomedesignationfactsheet.pdf>

The number of credit unions \$100 million in assets and below has decreased 31% since 2011, while those credit union greater than \$100 million in assets has increased 9% during the same period:

	2011		2017	
Less than \$10 million	2,623	36%	1,533	28%
\$10 to \$50 million	2,382	33%	1,774	32%
\$50 to \$100 million	803	11%	709	13%
\$100 to \$500 million	5,808	80%	4,016	72%
\$500 to \$1 billion	1,037	14%	1,026	18%
> \$1 billion	212	3%	244	4%
	183	3%	287	5%
	1,432	20%	1,557	28%
	7,240	100%	5,573	100%



- Loans grew 10% and assets grew nearly 7% in 2017
- Total members increased 4%
- Return on average assets has not changed in the last three years, holding steady at 0.78% overall
- Delinquent loans, 0.81%, was down slightly from 0.83% at year-end 2016
- After enjoying a downward trend in net charge-offs from a high of 1.21% in 2009, credit unions experienced a loss rate of 0.60% in 2017, up from 0.40% and 0.55% in 2015 and 2016, respectively
- Net interest margin increased, and is expected to exceed 3.0% in 2018



Debra Taylor Templin, CPA
310-963-3374
www.cucof.com

CFO in a Box

Debra Taylor Templin, CPA has more than 25 years' experience within the credit union industry, including ten years as Chief Financial Officer and seven years as Chief Executive Officer. As a virtual CFO, Debra is able to deliver high level results that blend traditional values with progressive needs.

